

# Annual Governance Statement 2015/16 and Improvement Plan 2016/17

## Report of the Chief Fire Officer

For further information about this report please contact John Redmond, Chief Fire Officer, on 01743 260205 or Ged Edwards, Planning, Performance and Communications Manager, on 01743 260208.

## 1 Purpose of Report

The purpose of this report is twofold: it sets out the draft Annual Governance Statement (AGS) for 2015/16 and AGS Improvement Plan 2016/17 to be included in the Fire Authority's Statement of Accounts; and it also details progress on the 2015/16 Improvement Plan.

## 2 Recommendations

The Committee is asked to:

- a) Note progress made on the 2015/16 Improvement Plan (Appendix A);
- b) Agree to close the 2015/16 Improvement Plan, carrying forward any outstanding issues to the 2016/17 Improvement Plan; and
- c) Agree the AGS and 2016/17 Improvement Plan (Appendices B and C respectively) for inclusion in the 2015/16 Statement of Accounts.

## 3 Background

Corporate governance and accounting regulations require the Fire Authority to publish annually, on a timely basis, an objective, balanced and understandable statement and assessment of the Fire Authority's governance arrangements, including its risk management and internal control mechanisms, and their effectiveness in practice. This is known as the AGS. The Fire Authority has delegated responsibility for the development of the AGS to the Risk Management Group.

At its February 2012 meeting the Fire Authority delegated approval of the Statement of Accounts to its Audit and Performance Management Committee. The Statement will, therefore, be signed off by the Chair of the Committee, the Chief Fire Officer and Treasurer at the September meeting of the Committee.

The Statement of Accounts contains a statement as to how effective the Authority's various systems of internal control have been in governing the risks, to which the Authority is exposed. Areas of the system of internal control that have been identified as requiring improvement are listed in the AGS and an action plan has been developed to ensure that these improvements are progressed during the coming year. This is known as the AGS Improvement Plan.

This Committee is responsible for monitoring the progress, which the Service makes against the Plan.

#### **4 Monitoring Progress against the AGS Improvement Plan 2015/16**

A copy of the AGS Improvement Plan 2015/16 is attached at Appendix A to this report, which shows progress against each of the planned activities.

The 2015/16 Improvement Plan monitored against six areas of activity listed below. These will be carried over into the 2016/17 Plan, as their completion dates are scheduled beyond the 2015/16 reporting year.

1. Service Transformation Programme
2. Information and Communications Technology (ICT)
3. Health and Safety
4. Operations
5. Payroll
6. Operational Assurance

Some of the tasks within the areas of ICT and Health and Safety have been completed within the 2015/16 Improvement Plan. However, new activities have been identified and are included within the 2016/17 Improvement Plan.

#### **5 AGS 2015/16 and AGS Improvement Plan 2016/17**

In accordance with the Accounts and Audit Regulations 4 (2), officers have reviewed the effectiveness of the Authority's internal control systems, which constitute the Authority's Governance Framework, with the aim of identifying further improvements, where required. This process involves the responsible officers' signing 'Assurance Statements' for the areas, for which they are responsible. Officers' statements are then reviewed by the Lead Executive Officer to ensure that the areas identified for improvement are appropriate and achievable.

A requirement of Regulation 6 (3) of the Accounts and Audit Regulations is to review annually the effectiveness of Internal Audit. Shropshire Council provides this service and will report to the Committee on the work undertaken during 2015/16.

Shropshire Fire and Rescue Service's 'Assurance Statements' have then been reviewed in light of this report and the various audit reports received from Internal Audit over the last year. Together these have formed the basis of the AGS 2015/16 and its associated 2016/17 Improvement Plan.

Members are asked to consider and approve the draft AGS 2015/16 and the draft Improvement Plan 2016/17, attached as Appendices B and C respectively, for inclusion in the 2015/16 Statement of Accounts.

## **6 Monitoring Progress against the AGS Improvement Plan 2016/17**

The Committee will receive regular reports on progress made against the Plan throughout its life. As is the case with most plans, the activities included within it are often subject to change. This can be as a result of changes in the external environment that guides our work, as well as the internal environment that dictates whether we have the capacity to achieve our stated objectives.

To ensure there is control over any slippage, the officers responsible for delivering this work must obtain approval from the Service Management Team, if they require any variations to the current Improvement Plan. Any such changes will also be reported to the Committee.

## **7 Financial Implications**

Any significant budgetary implications, brought about by the improvements proposed in the Improvement Plan, have already been considered, either as part of the Fire Authority's budget planning process or within each Department's business planning process.

## **8 Legal Comment**

The AGS is a legal requirement under the Code of Practice on Local Authority Accounting in the United Kingdom and must be included in the Fire Authority's Annual Statement of Accounts.

## **9 Initial Impact Assessment**

An Initial Impact Assessment has been completed.

## **10 Equality Impact Assessment**

There are no equality or diversity implications arising from this report. An Equality Impact Assessment is not, therefore, required.

## **11 Appendices**

### **Appendix A**

Annual Governance Statement Improvement Plan 2015/16

### **Appendix B**

Draft Annual Governance Statement 2015/16

### **Appendix C**

Draft Annual Governance Statement Improvement Plan 2016/17

## **12 Background Papers**

There are no background papers associated with this report.

## Annual Governance Statement Improvement Plan 2015/16

Area of review	IRN	Improvement required	Improvement owner	Progress to date	Completion date
<p><b>Service Transformation Programme and Integrated Risk Management Plan (IRMP) Action Plan</b></p>	1	<p>The Programme has been updated, extended up to 2020 and now includes IRMP activities. The Programme forms the basis of the 5-year action plan, which is contained within the recently published 2015-2020 Service Plan.</p> <p>An annual benefits review will be presented to the Audit and Performance Management Committee and progress on the three main IRMP work streams will be reported to the Fire Authority in October 2015.</p>	Ged Edwards and Andy Johnson	<p>The focus of the Programme continues to be the development of information and communications technology (ICT) systems to streamline processes and introduce more efficient systems of working.</p> <p>A review of paper-based processes has commenced in the Operations Department with a view to developing them electronically. The operations monitoring application has been deployed and is now being used by staff.</p> <p>A programme benefits paper was presented to the Audit and Performance Management Committee in April 2016 and the final proposals for the three IRMP work streams were presented to the Fire Authority in April 2016. As the three work streams now enter the implementation phase, project planning documents have been drawn up.</p> <p>These will be presented to the Service Transformation Board in July.</p>	<p>2020 (to be reviewed every 12 months)</p>

Area of review	IRN	Improvement required	Improvement owner	Progress to date	Completion date
ICT	2	<p>The Command and Control System (C&amp;C) still uses analogue communications, which is aging technology that has become difficult to support and obtain spares for, and is increasingly unreliable. With the new Wide Area Network (WAN) in place and the rebuilt C&amp;C it is now possible to move to digital communications.</p> <p>Asset management of personally allocated equipment is required and will be achieved by improved use of mobile device management (MDM) software, a change in policy and procedures, and better utilisation of information systems.</p> <p>Experiences of introducing the first phase of Service Transformation will shape how the Service adopts new technology and systems throughout the organisation going forward.</p>	Sally Edwards	<p>Skype for Business is installed, providing a communication platform for instant messaging, web and video conferencing. It integrates within business processes to improve efficiency. The biggest challenge is the adoption of new ways of working, so some introductory sessions will be planned to introduce the features. There is a pilot for a digital alerter solution taking place at Hodnet and, if successful, will enable integration with Skype for Business.</p> <p>MDM software is installed to secure and manage all mobile devices. The allocation of equipment is based on roles entered into the HR system. The work flow process for starters, movers and leavers is being worked upon to track the movement of equipment when individuals change roles.</p> <p>Training and guidance e-learning materials are being developed working closely with Training and Development. Training is offered to operational staff, if they are nominated by managers as struggling to work with technology. Self-help is being encouraged and the password self-reset is about to be launched.</p>	June 2016

Area of review	IRN	Improvement required	Improvement owner	Progress to date	Completion date
		This will include Service Management Team training and planning days and the introduction of a new role for implementing change across the Service.			
<b>Health and Safety</b>	3	<p>Address the inability to electronically record, monitor and audit:</p> <ul style="list-style-type: none"> <li>• Electronic Individual Development Records (EIDRs)</li> <li>• On-station trainers' reviews</li> <li>• Training and Assurance Centre Instructors' reviews</li> </ul>	Kev Faulkner	<ul style="list-style-type: none"> <li>• Officers' EIDRs are now being used. Quarterly reviews are planned throughout 2016. Feedback on improvements and amendments to the current system will be collated over the first two quarters of 2016 and fed to the developers for implementation.</li> <li>• The 3-year on-station trainers' reviews were completed in June 2016. All observations of trainers are recorded within the Assurance Department and a report on its findings will be available following the review. This is recorded electronically on an excel spreadsheet and paper based for each individual.</li> <li>• The instructors' reviews (these are also observations) are included in the above. The Station Manager Training also carries out observations of the trainers and records their performance and feedback.</li> </ul>	June 2016

Area of review	IRN	Improvement required	Improvement owner	Progress to date	Completion date
				<p>The two processes highlighted above have been identified as potential SharePoint processes to be further developed within the 2016/17 period.</p>	
<b>Operations</b>	4	<p>The process required to ensure that fireground information is maintained in a format that is accessible, timely and accurate is outdated and needs replacing to ensure it takes advantage of the changes being made nationally.</p>	<p>Andy Johnson and Kev Faulkner</p>	<p>The ongoing 'Provision of Risk Information System (PORIS)' project will align current risk gathering information into the nationally required standard. The Service is working to ascertain whether it can adopt the same technical solution as two other regional Services to support greater collaboration. This programme is being managed through the Transformation Programme.</p> <p>The provision of operational information to the fireground is currently maintained by weekly system updates and is available via Mobile Data Terminals on all appliances. Incident command on the fireground has been improved with the introduction of Command Support Packs.</p> <p>The project to work collaboratively with West Mercian partners to provide a shared Command Support Unit function moves ahead slowly. The planned outcome of this initiative will deliver greater interoperability, resilience and improved efficiency.</p>	April 2018



Area of review	IRN	Improvement required	Improvement owner	Progress to date	Completion date
				However, the project is currently experiencing some challenges around specification and procurement.	
<b>Payroll Systems Review</b>	5	Review current internal payroll processes, identify improvements and implement. Continue to develop ResourceLink to improve efficiency. Review current processes/communications links between the Service and payroll provider to generate further improvements.	Louise McKenzie/ Joanne Coadey	<p>Progress to date is good. Processes have been improved with the introduction of electronic travel and subsistence claims. The next area of focus will be overtime payments.</p> <p>Processes have also been put in place to strengthen controls around Payroll inputs and outputs, and further enhancements will be developed over the coming months.</p> <p>Internal Audit carried out a review in December 2015 and reported that improvements in this area have been made. The audit rating moved from 'Limited' to 'Reasonable', and the remaining recommendations are now being addressed.</p> <p>Work will progress on improving controls around systems and processes, and liaison with internal auditors in this area will continue.</p>	Managed through Service Transformation Programme

Area of review	IRN	Improvement required	Improvement owner	Progress to date	Completion date
<b>Operational Assurance</b>	6	New guidance has been issued. Officers are currently reviewing the guidance with a view to undertaking a self-assessment and peer review early next year.	Rod Hammerton	Officers have been trained on the National Toolkit and it is still the intention to complete a self-assessment in 2016. However, a decision has been made to suspend the commitment to undertake a peer assessment until more clarity is available on the impact of a move to the Home Office and the likely inception of a new Inspectorate function.	Nov 2016

## **Draft Annual Governance Statement 2015/16**

To accompany the Statement of Accounts 2015/16

### **Scope of Responsibility**

Shropshire and Wrekin Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively.

The Fire Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Fire Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Fire Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

A copy of the Code is on our website at:

<https://www.shropshirefire.gov.uk/code-corporate-governance-2015/16-0>

A paper copy can be obtained from the Executive Support function within the Service.

This Statement explains how the Fire Authority has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture and values, by which the Fire Authority is directed and controlled, and the activities through which it accounts to, engages with, and leads the community. It enables the Fire Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Shropshire and Wrekin Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact, should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Shropshire and Wrekin Fire and Rescue Authority for the period of the 2015/16 accounts and up to the date of approval of the Annual Report and Statement of Accounts.

## **The Governance Framework**

The Fire Authority's governance framework comprises many systems, policies, procedures and operations in place to:

- identify and communicate the Authority's vision of its purpose and intended outcomes for citizens and service users;
- review the Authority's vision and its implications for the Authority's governance arrangements;
- define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Authority and partnership arrangements;
- develop, communicate and embed codes of conduct, which define the standards of behaviour for Members and staff;
- review and update standing orders, standing financial instructions, the scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- ensure the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact;
- undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities;
- ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- ensure the Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not explain why and how they deliver the same impact;
- enable whistle-blowing and the receiving and investigating of complaints from the public;

- identify the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training;
- establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- ensure good governance arrangements in respect of partnerships and other joint working and reflecting these in the Authority's overall governance arrangements.

## **Review of Effectiveness**

The Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

The review of effectiveness is informed by the work of the executive managers within the Authority, who have overall responsibility for the development and maintenance of the governance environment, as well as:

- the Treasurer;
- the Fire Authority's Monitoring Officer;
- Legal advisors to the Fire Authority;
- Internal Auditors; and
- Managers within the Fire Authority, who have day-to-day responsibility for ensuring the governance framework is functioning correctly.

Comments made by the External Auditors and other review agencies and inspectorates in their Annual Audit Letters and other reports also contribute to this review.

Throughout 2015/16, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a) The Authority continues to monitor expenditure for all capital schemes;
- b) Ongoing review of the Authority's employment policies is undertaken and, where necessary, policies are modified or created to ensure compliance with all applicable legislation;
- c) The Service Transformation Programme, which includes Integrated Risk Management Planning (IRMP) Projects and activities that Service Managers believe will deliver a sustainable service to the community into the future. Central to the Programme will be the continued investment in technology and systems to improve back-office efficiency and provide operations with technology to improve service delivery. The Programme, which dovetails into the Service's Financial and Service planning processes, will ensure that the appropriate level of control and visibility of all projects, reviews and activities are maintained throughout the lifecycle of the Programme.
- d) The Service has continued to invest significantly in its Information and Communications Technology and command and control infrastructure.

- e) The Fire Authority has received and/or adopted:
- Statement of Accounts 2014/15;
  - Annual Plan 2015/16;
  - Annual Audit Letter 2014/15;
  - Budget Monitoring reports;
  - Service Measures Performance reports;
  - The Service Plan 2015/20, strategy and budget.
- f) The Fire Authority's Service Management Team of officers carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress made towards last year's Improvement Plan.
- g) Internal audits have been undertaken with a number of planned reviews of systems and internal control procedures across a range of functions in the Fire Authority. Each review contains an opinion on the internal controls in place and any weaknesses result in recommendations for improvement, which are implemented by management. Progress against these recommendations is monitored by the Risk Management Group, with regular reports to the Service Management Team and to the Audit and Performance Management Committee.
- h) Audits completed by Internal Audit during 2015/16 related to:
- Payroll System;
  - Budget Preparation and Control;
  - IT Audit Follow Up;
  - Income and Sundry Debtors;
  - Purchasing and Procurement;
  - Technical Services Assets;
  - Risk Management and Business Continuity;
  - Corporate Governance;
  - Previous Recommendation Follow Up;
  - Firefighters Pensions Administration.

On the basis of the work undertaken and management responses received, the Authority's financial systems, internal control environment and risk management procedures are sound and working effectively and the Audit Service Manager is able to deliver a positive year-end opinion on the Authority's internal control environment for 2015/16.

Internal Audit will be conducting audits into the following areas during 2016/17:

- Payroll System (including Travel and Subsistence);
- Budget Preparation and Control;
- Capital Budgeting and Accounting;
- Computer Services;

- Purchasing Cards;
- Purchasing and Procurement;
- Assets;
- Creditors System;
- Members' Allowances;
- Firefighter Pension Account;
- Fraud and Corruption;
- Risk Management;
- Corporate Governance;
- Previous recommendations follow up.

## **The Role of the Chief Financial Officer**

The Authority is compliant with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A Service Level Agreement has been put in place between Shropshire Council and Shropshire and Wrekin Fire and Rescue Authority, for the provision of financial advice and representation.

Shropshire Council's Head of Finance, Governance and Assurance, acts as Treasurer to Shropshire and Wrekin Fire and Rescue Authority to ensure the sound administration of the financial affairs of the Authority, as required by the statutory duties associated with section 151 of the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015.

The Chief Financial Officer's role is discharged through:

- Provision of advice and support on application of accounting policies and procedures and adherence to International Financial Reporting Standards.
- Attendance by the Treasurer or nominated representative at the following statutory meetings held with Fire Authority Members:
  - Meetings of the Fire and Rescue Authority;
  - Meetings of the Strategy and Resources Committee; and
  - Meetings of the Audit and Performance Management Committee.
- Regular Chair's briefings and internal meetings, as well as regular liaison with the internal Head of Finance (Deputy Section 151 Officer), and the internal Fire Authority Finance Team.

In addition to the provision of section 151 duties, Shropshire Council provides access to a number of services, for example the Fire Authority's Finance Team will have direct access to the Council's Financial Forward Planning Team, and can provide resilience and development through staff rotation and secondments.

The Council endeavours to consult with the Fire Authority on any key or principal decisions, outside the formal services agreed within the service level agreement.

## **Significant Internal Control Issues**

No significant issues were raised in the External Auditor's Annual Audit Letter 2014/15. The relatively minor points arising from these reviews are being used to enhance the existing system of controls.

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, between January and March 2016. An Annual Governance Statement (AGS) Improvement Plan 2016/17 has been produced, based on the findings from this process. Progress made against the Plan will be monitored by the Risk Management Group, with regular progress reports to the Fire Authority's Audit and Performance Management Committee and the Service's Service Management Team.

A summary of the areas for further development, contained in the AGS Improvement Plan 2016/17, is given overleaf.

## **Service Transformation Programme**

The Programme has been updated, extended up to 2020 and now includes Integrated Risk Management Plan (IRMP) activities. The Programme forms the basis of the five-year action plan, which is contained within the recently published 2015-2020 Service Plan.

An annual benefits review will be presented to the Audit and Performance Management Committee (APMC) and progress on the three main Integrated Risk Management Plan work streams will be reported to the Fire Authority through the Strategic Risk and Planning Working Group (StRaP).

## **Information and Communications Technology (ICT)**

ICT will:

- Provide improved provision of management information throughout the Service (SharePoint, BI, System Administrators);
- Continue to replace all analogue communications with digital to improve communications and collaboration; and
- Address change management issues.

## **Health and Safety Management**

Officers will improve the ability to electronically record, monitor and audit the following processes:

- Electronic Individual Development Records for Officers and Firefighters(EIDR's);
- On-station trainers' reviews;
- Training and Assurance Centre Instructors' reviews.

The use of SharePoint will be explored for this purpose.



## **Operations**

The process required to ensure that fire ground information is maintained in a format that is accessible, timely and accurate is outdated and needs replacing to ensure it takes advantage of the changes being made nationally.

## **Payroll Systems Review**

Officers will review current internal payroll processes, identify improvements and implement them. Officers will continue to develop ResourceLink to improve efficiency. Current processes/ communications links between the Service and its payroll provider will be reviewed to generate further improvements.

## **Operational Assurance Peer Review Outcomes.**

New guidance has been issued. Officers are currently reviewing the guidance with a view to undertaking a self-assessment and peer review early next year.

Signed:

Cllr Dr Jean Jones  
Chair  
Audit and Performance  
Management Committee

Rod Hammerton  
Chief Fire Officer  
Designate

James Walton  
Treasurer

Date

## Annual Governance Statement Improvement Plan 2016/17

Area of Review	IRN	Improvement Required	Improvement Owner	Progress to date	Completion date
<b>Service Transformation Programme and Integrated Risk Management Plan (IRMP) Action Plan</b>	1	<p>The Programme has been updated, extended up to 2020 and now includes Integrated Risk Management Plan (IRMP) activities. The Programme forms the basis of the five-year Action Plan, which is contained within the recently published 2015-2020 Service Plan.</p> <p>An annual benefits review will be presented to the Audit Performance Management Committee and progress on the three main IRMP work streams will be reported to the Fire Authority through the Strategic Risk and Planning Working Group (StRaP).</p>	Ged Edwards and Andy Johnson		2020 (to be reviewed every 12 months)
<b>ICT</b>	2	<p>ICT will:</p> <ul style="list-style-type: none"> <li>• Provide improved provision of management information throughout the Service (SharePoint, Business Intelligence, System Administrators);</li> <li>• Continue to replace all analogue communications with digital to improve communications and collaboration; and</li> <li>• Address IT change management issues.</li> </ul>	Sally Edwards		March 2017

Area of Review	IRN	Improvement Required	Improvement Owner	Progress to date	Completion date
Health and Safety	3	<p>Improve the ability to electronically record, monitor and audit the following processes:</p> <ul style="list-style-type: none"> <li>• Electronic Individual Development Records for officers and firefighters(EIDR's);</li> <li>• On-station trainers' reviews;</li> <li>• Training and Assurance Centre instructors' reviews.</li> </ul> <p>The use of SharePoint will be explored for this purpose.</p>	Andy Johnson		April 2017
Operations	4	The process required to ensure that fire ground information is maintained in a format that is accessible, timely and accurate is outdated and needs replacing to ensure it takes advantage of the changes being made nationally.	Andy Johnson		April 2018
Payroll Systems Review	5	Review current internal payroll processes, identify improvements and implement. Continue to develop ResourceLink to improve efficiency. Review current processes/ communications links between the Service and payroll provider to generate further improvements.	Louise McKenzie/ Joanne Coadey		Managed through Service Transformation Programme
Operational Assurance	6	New guidance has been issued. Officers are currently reviewing the guidance with a view to undertaking a self-assessment and peer review early next year.	Rod Hammerton		November 2016